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Grandroy Mines Limited

Annual Report

For the Year Ended December 31st, 1968

DIRECTORS

PHILIP E. BOYLEN	-	-	-	-	-	-	-	TORONTO, ONTARIO
CHARLES B. BRANNIGAN	-	-	-	-	-	-	-	TORONTO, ONTARIO
MARK E. BUTLER	-	-	-	-	-	-	-	TORONTO, ONTARIO
D. W. GORDON	-	-	-	-	-	-	-	TORONTO, ONTARIO
GORDON L. MOORE	-	-	-	-	-	-	-	ISLINGTON, ONTARIO

OFFICERS

PHILIP E. BOYLEN	-	-	-	-	-	-	-	PRESIDENT
D. W. GORDON	-	-	-	-	-	-	-	VICE-PRESIDENT
GORDON L. MOORE	-	-	-	-	-	-	-	SECRETARY
KEITH A. WALKER	-	-	-	-	-	-	-	TREASURER
CHARLES B. BRANNIGAN	-	-	-	-	-	-	-	ASSISTANT-SECRETARY

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

AUDITORS

LOFTUS A. ALLEN AND COMPANY
Toronto, Ontario

HEAD OFFICE

Suite 908 - 330 Bay Street
Toronto, Ontario

GRANDROY MINES LIMITED

GRANDROY MINES LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The Financial Statements of the Company for the fiscal year ended December 31, 1968, notes relative thereto and the report of the Auditors are submitted herewith.

QUEBEC URANIUM AREA

Your Company holds 200 claims in two separate blocks, one in the Johan Beetz area and one on an island in the mouth of the St. Lawrence River, Province of Quebec. In the Johan Beetz area a limited amount of drilling was done through the ice last February. Uranium values were obtained in one hole but they were too low to be of ore grade. The most likely area for values is a fault zone that runs through the lake and it was not intersected by drilling as the thin ice of a very mild winter prohibited the use of a heavy drill. Development of this project will be delayed until next winter when we hope the ice will be firm enough to allow the completion of our testing.

In Dr. A. B. Baldwin's report on the seventy claims near the mouth of the St. Lawrence River, he strongly recommends 6,000 feet of diamond drilling to cross-section the fault zone of the favourable mineralized area in which samples assayed from one pound to twelve pounds of U_3O_8 . The area was too difficult to surface sample thoroughly; therefore, the only real way to assess it is by drilling. We have arranged for a drill and crew and work is slated to get underway during June or early July.

VICTORIA ISLAND, NORTHWEST TERRITORIES

Your Company and MuskoX Syndicate (Murray Watts' project) who have staked claims surrounding your group, have joined in freighting supplies for summer exploration. A diamond drill is included to investigate the high grade zone on the 144 claim block held outright by your Company which was reported to you last December 10. The initial crew is already on the property and will be reinforced by a further eight. In addition, your Company holds a 50% interest in a block of 1,080 claims. The program is to map the properties geologically and then follow up with diamond drilling. This was initially scheduled for mid-June but it is doubtful if it will be feasible to commence until mid-July in order to permit geological control mapping to be completed.

IDAHO, UNITED STATES

During the summer of 1968 the Company conducted preliminary examinations over a silver-gold prospect in the Carson Mining District, County of Owyhee in the State of Idaho. Negotiations with the principals who hold the mineral rights then followed, and resulted in the formation of Glen Silver Mining Corporation, an Idaho company, to acquire and hold the mining leases and options to purchase which comprise the property rights. Your Company holds a 60% interest in Glen Silver, acquired through a commitment to purchase 600,000 shares of Glen Silver for \$60,000 U.S. The proceeds of the sale of shares to your Company is being used for the exploration of the claims and other corporate expenses of Glen Silver Mining Corporation. By agreement, your Company has undertaken to provide a further sum of \$100,000 U.S. to be secured by debentures payable within three years, and has further agreed to provide whatever additional funds are necessary (after the \$160,000 is expended) to place the property in production provided that the expenditure of such additional funds is economically feasible and reasonable.

If the property is brought to production, the \$100,000 secured by debentures will be repaid to your Company from first profits. Thereafter it will receive 80% of the profits until it has been reimbursed for such additional funds expended by it in bringing the property into production.

In our letter of April 29, 1969 we reported that drilling was scheduled to start on or about that date. We quote the following from that letter:

"Mr. A. S. Ashton, B.A.Sc., formerly of Homestake Mineral Development Company, is in charge. Our present program is for 10,000 feet of drilling to further evaluate the silver-gold content and to enable us to provide definite tonnage."

Two drills are now working on the deposit, one on surface and one in a rehabilitated adit that partially cross-cuts the mineralized zone in the central section. On partial results to date, definite encouragement has been obtained in regard to the silver content with composite gold assays to follow shortly. It is planned to

carry out the main sampling program by use of percussion and/or rotary equipment with air-flush recovery of the cuttings for assay determinations. This is dictated by ground conditions which gives poor core recovery with probable loss of values. It will also be done at a much lower unit-cost figure than by conventional coring methods.

CHIBOUGAMAU, QUEBEC

Since entering into the share profit agreement with Campbell Chibougamau Mines Ltd. (N.P.L.), your Company has received the sum of \$381,208. There is still some tonnage in stockpile to be processed.

There are approximately 250,000 tons of copper ore indicated below the pit bottom and a mining feasibility study is in progress. If feasible, mining could commence within a year.

BATHURST AREA, NEW BRUNSWICK

This property, consisting of 21 claims, adjoins the Brunswick Mining and Smelting property adjacent to and on the south of their No. 12 ore body, and lies between the structure of their No. 12 and No. 6 ore bodies. To reach its objective, deep diamond drilling will be necessary and will be carried out this season. It will take considerable time but should be completed before September of this year.

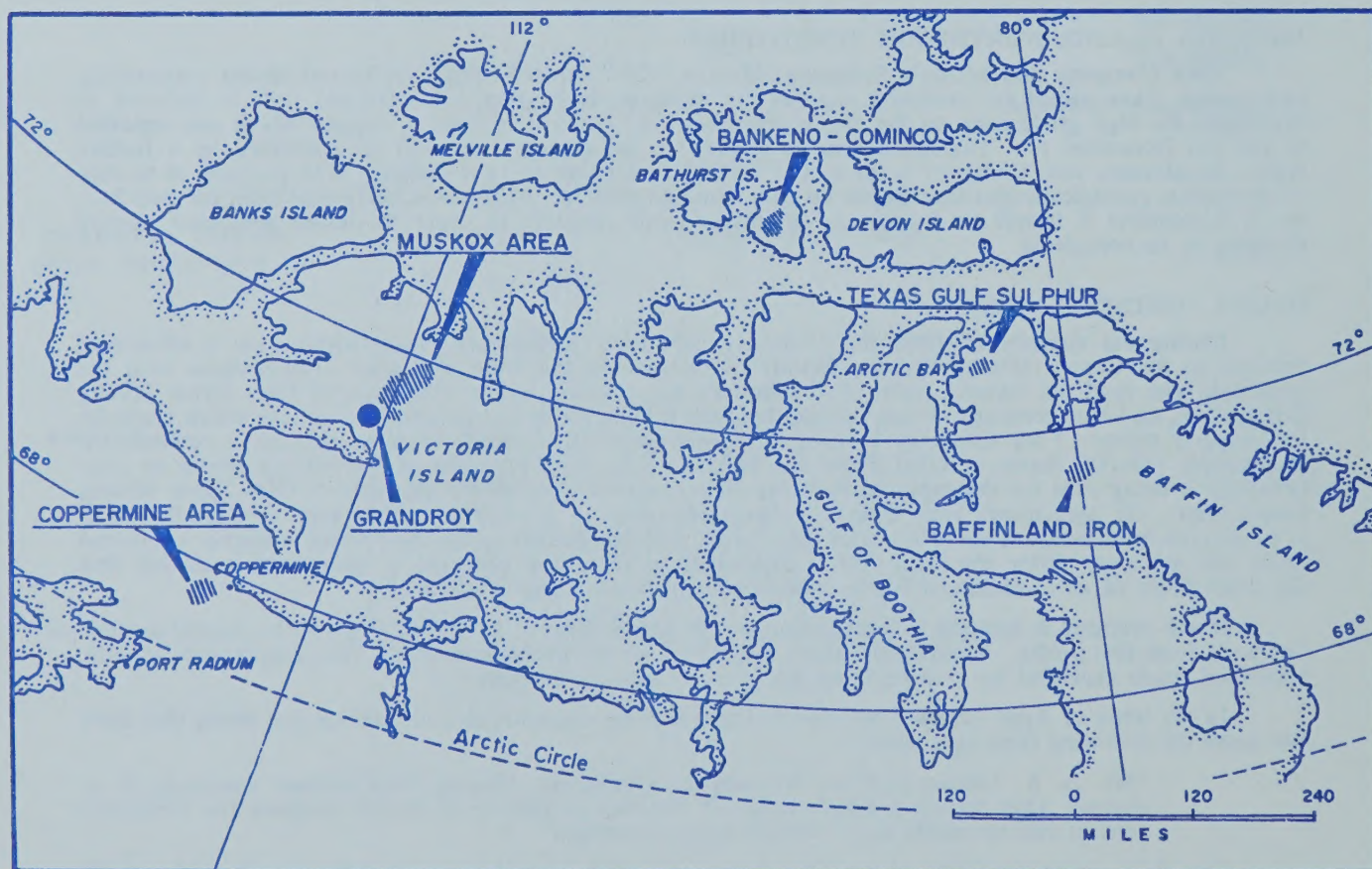
GENERAL

Prospecting parties are now in the field exploring in various parts of the country.

Respectfully submitted on behalf of the Board of Directors,

PHILIP E. BOYLEN,
President.

Toronto, Ontario,
May 29, 1969.



LOCATION MAP - NORTHWEST TERRITORIES

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

SUITE 1910 - P.O. BOX 151
TORONTO DOMINION TOWER
TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

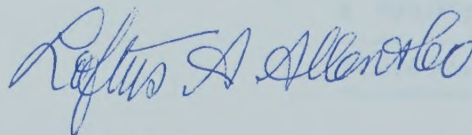
Auditors' Report to the Shareholders

We have examined the balance sheet of

GRANDROY MINES LIMITED

as at December 31, 1968 and the statements of deficit, deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except that we did not verify the income and expense from the joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability). Our opinion expressed herein, insofar as it relates to the amounts included from the joint venture, is based solely on the reports provided by Campbell Chibougamau Mines Ltd. (No Personal Liability).

In our opinion, except for the limitation on our examination of the joint venture, these financial statements present fairly the financial position of the company as at December 31, 1968, and the results of its operations and source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
March 21, 1969.

Chartered Accountants

GRANDROY M

(Incorporated under

Balance Sheet as at (with comparative

ASSETS

	1968	1967
Cash	\$ 8,195	\$ —
Short term deposits	170,000	—
Accounts receivable	47,281	11,350
Receivable from Campbell Chibougamau Mines Ltd. (No Personal Liability)	217,271	150,434
Investment in shares of other mining companies — at cost (quoted market value 1968 — \$44,963, 1967 — \$51,635)	154,326	154,420
Mining license, development licenses and unpatented mining claims — at cost	197,236	146,789
Fixed Assets — at cost less accumulated depreciation of \$9,938 in 1968 and \$8,005 in 1967	3,731	1,818
Deferred development and administrative expenditures — per statement — Note 2	216,884	289,857

Approved on behalf of the Board:

P. E. BOYLEN, Director.

G. L. MOORE, Director.

<u>\$1,014,924</u>	<u>\$ 754,668</u>
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The accompanying notes form an int

INES LIMITED

(Laws of Ontario)

December 31, 1968

(figures for 1967)

LIABILITIES

	1968	1967
Bank overdraft	\$ —	\$ 1,103
Demand loan	—	25,000
Accounts payable and accrued liabilities	16,854	89,309
	<u>\$ 16,854</u>	<u>\$ 115,412</u>
Shareholders' Equity		
Capital Stock — Note 3		
Authorized		
10,000,000 Shares of no par value		
Issued and fully paid		
5,755,128 (1967 — 4,850,005)	\$2,000,804	\$1,638,755
Deficit —		
per statement	1,002,734	999,499
	<u>\$ 998,070</u>	<u>\$ 639,256</u>
	<u>\$1,014,924</u>	<u>\$ 754,668</u>

part of these financial statements.

GRANDROY MINES LIMITED

Statement of Deficit

For the Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
BALANCE, JANUARY 1	\$ 999,499	\$ 826,964
ADD		
Cost of mining claims and options abandoned	—	18,427
Development costs	—	27,815
Loss on sale of investments	3,235	126,293
BALANCE, DECEMBER 31	<u>\$1,002,734</u>	<u>\$ 999,499</u>

Statement of Income and Expense

**FROM JOINT VENTURE WITH
CAMPBELL CHIBOUGAMAU MINES LTD.**

(No Personal Liability)

For the Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Gross income	\$1,373,117	\$1,913,000
LESS: Marketing, mining, milling and administration expenses	837,393	1,557,402
	<u>\$ 535,724</u>	<u>\$ 355,598</u>
LESS: Preproduction expenses	(1,227)	54,730
	<u>\$ 536,951</u>	<u>\$ 300,868</u>
LESS: Mining duties	75,403	—
Net Profit	<u>\$ 461,548</u>	<u>\$ 300,868</u>
Divided as follows:		
Grandroy Mines Limited	\$ 230,774	\$ 150,434
Campbell Chibougamau Mines Ltd. (No Personal Liability)	230,774	150,434
	<u>\$ 461,548</u>	<u>\$ 300,868</u>

SUMMARY

BALANCE, January 1	\$ 150,434	\$ —
Net Profit	230,774	150,434
BALANCE, December 31	<u>\$ 381,208</u>	<u>\$ 150,434</u>

GRANDROY MINES LIMITED

Statement of Deferred Expenditures

For the Year Ended December 31, 1968
(with comparative figures for 1967)

DEVELOPMENT EXPENSE	1968	1967
Balance, January 1	\$ 310,334	\$ 235,349
Additions during year		
Assays	\$ 1,241	\$ 3,145
Consulting fees	1,562	—
Diamond drilling	(1,055)	32,916
Geologists' fees and expenses	15,859	9,019
License and transfer fees	6,038	1,638
Maps and blueprints	4,178	531
Surface exploration	89,939	41,331
Surface superintendence	2,865	5,705
Surveys	6,530	—
Travelling and transportation	—	8,515
	<u>\$ 127,157</u>	<u>\$ 102,800</u>
	\$ 437,491	\$ 338,149
Deduct — Cost applicable to mining claims abandoned	—	27,815
Balance, December 31	<u>\$ 437,491</u>	<u>\$ 310,334</u>
ADMINISTRATIVE EXPENSE		
Balance, January 1	\$ 129,957	\$ 111,923
Additions during year		
Advertising	\$ —	\$ 670
Automotive maintenance	584	537
General expenses	598	294
Bank charges	46	13
Legal and audit	4,900	1,962
Listing and sustaining fee	3,450	200
Office and stationery	3,044	1,382
Maps and blueprints	16	—
Telephone and postage	583	870
Engineering and consulting fees	—	1,485
Transfer agent and registrar fees	8,286	1,443
Executive salary	2,000	—
Travelling	152	64
Interest — net	(6,399)	584
Head office administrative	6,000	3,750
Reports to shareholders	2,361	1,128
Depreciation expense	1,933	779
Filing fees	470	425
Insurance	213	328
Capital and business tax	407	120
Directors' fees	2,000	2,000
	<u>\$ 30,644</u>	<u>\$ 18,034</u>
Balance, December 31	<u>\$ 160,601</u>	<u>\$ 129,957</u>

GRANDROY MINES LIMITED

Statement of Deferred Expenditures (Concluded)

SUMMARY

Development Expense	\$ 437,491	\$ 310,334
Administrative Expense	160,601	129,957
	<u>\$ 598,092</u>	<u>\$ 440,291</u>
Deduct		
Net profit from joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability) — Note 2	381,208	150,434
	<u>\$ 216,884</u>	<u>\$ 289,857</u>

Statement of Source and Application of Funds

For the Year Ended December 31, 1968

(with comparative figures for 1967)

FUNDS WERE PROVIDED FROM	1968	1967
Net profit from joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability)	\$ 230,774	\$ 150,434
Sale of investments	716	27,172
Capital stock issued	362,049	—
	<u>\$ 593,539</u>	<u>\$ 177,606</u>
FUNDS WERE USED FOR		
Acquisition of mining claims		
70 claims, St. Augustine River area, P.Q.	\$ 4,810	\$ —
130 claims, Baie Johan Beetz area, P.Q.	—	9,002
144 claims, Victoria Island area, N.W.T.	9,600	—
Acquisition of 50% interest in mining claims		
1,080 claims Victoria Island area, N.W.T.	36,037	—
Investment in shares of other mining companies	3,857	—
Purchase of automobile	3,846	—
Deferred mine development and administrative expenses	157,801	120,834
Depreciation charged to deferred expenses which does not require a cash outlay	(1,933)	(779)
Increase in working capital	379,521	48,549
	<u>\$ 593,539</u>	<u>\$ 177,606</u>

GRANDROY MINES LIMITED

Notes to Financial Statements

As at December 31, 1968

1. Under the terms of an agreement dated January 5, 1967, Campbell Chibougamau Mines Ltd. (No Personal Liability) has provided funds, personnel, equipment and services necessary to bring into production mining claims owned by Grandroy Mines Limited in the Township of Roy in the Province of Quebec presently held under a Mining Lease. Campbell Chibougamau Mines Ltd. (No Personal Liability) treated the ore at its milling plant and sold the recovered metals in the usual manner. After repayment to Campbell Chibougamau Mines Ltd. (No Personal Liability) of all capital and preproduction expenses incurred by it, Grandroy Mines Limited and Campbell Chibougamau Mines Ltd. (No Personal Liability) shared equally in the net profits (as defined) derived from the mine.
2. In 1968, the net profit from the joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability) has been deducted from the deferred expenditures as these expenditures are related primarily to the operating property. The 1967 figures have been restated where necessary to conform to this presentation.
3. In 1968, supplementary letters patent were issued to increase the authorized share capital from 5,000,000 to 10,000,000 shares of no par value. During the year, 905,123 shares were issued for a cash consideration of 40¢ each.

GRANDROY MINES LIMITED

Suite 908 - 330 Bay Street
TORONTO 1, ONTARIO
Phone 363-2636

To the Shareholders:

This is to bring to your attention the results of your Company's field operations for 1968. Two projects have now been reported on by our consulting engineers and the third report is due for completion by the 10th of January.

(1) **JOHAN BEETZ AREA, QUEBEC** — Your Company carried out prospecting and exploration all along the St. Lawrence River, and then concentrated on the original group of 130 claims in the Johan Beetz area of Quebec. Numerous high grade uranium showings were discovered on this property. In late October Dr. S. E. Malouf, well known consulting geologist, was engaged to report on the property. He recommends, among other things, diamond drilling to extend the original high grade showing eastward into virgin territory, which holds excellent promise for additional tonnage; and that ten holes be diamond drilled at 200-foot centres. There are strong indications that Petit Piashti Lake lies in a major fault zone. It could be very interesting geologically as all previous findings were located in minor faulting and fracturing. He feels that such a fault holds possibilities of finding ore bodies of major proportions. In his recommendation he also advises that before drilling it, an Induced Polarization survey be completed on the lake in order to select the best possible drill sites. All in all, he is recommending

- (a) Extending the current drilling eastward, 10 holes on a 200-foot pattern — 3,500 feet of diamond drilling.
- (b) Induced Polarization Survey over Petit Piashti Lake.
- (c) Provision for diamond drilling Induced Polarization anomalies — 6,500 feet of diamond drilling.
- (d) Transit survey and contouring.

These recommendations involve an expenditure of approximately \$70,000. Your Company is proceeding with this work immediately after the first of the year.

(2) **EXPLORATION ON VICTORIA ISLAND, NORTHWEST TERRITORIES** — A group of twelve men including Mr. A. S. Ashton, B.A.Sc., our geologist in charge, spent June, July, August and part of September on your Company's ground, acquired in April of 1968. Numerous discoveries were made on the original group of 1,080 claims in which your Company holds a 50 percent interest. These claims will receive further attention in the 1969 season.

Later in the year, after making a discovery that appears to be of major importance, your Company acquired 144 claims on its own behalf. The showing on these claims that will receive first attention in next season's exploration covers an area $\frac{1}{2}$ mile wide by 2 miles in length. In this zone high grade chalcocite, malachite and native copper have been discovered in abundance and surface samples taken over this $\frac{1}{2}$ mile width varied from 10% to 51% copper. It has not been definitely determined, of

course, that this occurrence is in place but your geologist is of the opinion that it is. Mr. Ashton recommends diamond drilling of this zone. This can start in May which will allow five months for exploration and a chance to evaluate the balance of the claims. We are very expectant that this occurrence will prove fruitful. Samples of native copper were also found in the area, ranging from small flecks to solid pieces weighing up to 400 pounds.

Our 5-month programme, in addition to diamond drilling, will include several experienced Arctic prospectors supported by helicopter and fixed wing aircraft to expedite exploration. The area now has air strips and services within a short distance of your Company's properties.

(3) On September 15 your Company commenced prospecting for silver in Oregon and Idaho under the direction of Mr. Ashton. A silver deposit with a large tonnage potential has been discovered. Sampling is in progress and is about 80% completed. Results to date are most encouraging but the final appraisal cannot be made until the work is finished and all the samples assayed and evaluated.

Your Company's property in Chibougamau, which has been operated by Campbell Chibougamau Mines Limited on a 50-50 profit sharing basis, has yielded your Company \$160,000. profit and a further revenue of \$125,000. is due early 1969. While the open pit is not being operated at this time, consideration is being given to a diamond drilling programme as a lot of information has been gained from the actual mining of the open pit, which indicated that further drilling might discover additional ore at depth.

While all the above programmes are extensive, it will not hinder your Company from carrying out investigation and exploration of properties in other areas.

You will be receiving a Progress Report early in the New Year as our drilling results become available.

P. E. BOYLEN,
President.

December 10, 1968.